

Message Text

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ACTION EUR-12

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GENEVA FOR MTN

E.O.11652:N/A
TAGS: ETRD, EEC
SUBJECT: COMMISSION PAPERS ON TRADE POLICY AND THE MTN

1. MISSION HAS OBTAINED THE TEXTS OF TWO INTERNAL COMMUNITY DOCUMENTS PREPARED FOR USE BY VICE PRESIDENT HAFERKAMP IN DISCUSSIONS WITH THE REST OF THE EC COMMISSION ON JULY 20. THE DOCUMENTS, MEANT TO ACCOMPANY EACH OTHER, ARE ENTITLED "THE MULTILATERAL TRADE NEGOTIATIONS" AND "TRADE POLICY". COMPLETE TEXTS ARE BEING POUCHED TO EUR/RPE MR. CASEY; STR AMBASSADOR WOLFF AND MTN DEL, MR. CULBERT. HIGHLIGHTS OF THE TWO DOCUMENTS FOLLOW.

2. THE PAPER ON THE MTN CONTAINS BRIEF PARAGRAPHS OUTLINING EC POSITIONS ON EACH ISSUE OF THE NEGOTIATIONS VERY MUCH IN KEEPING WITH THE POSITIONS TAKEN BY
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HAFERKAMP AND OTHER COMMISSIONERS DURING THE VISIT OF AMBASSADOR STRAUSS ON JULY 11. ON INDUSTRIAL TARIFFS, THE PAPER OPTS FOR AVOIDING EXCEPTIONS AND ADVOCATING A TARIFF CUT "PROBABLY NEARER THE LOWER OF THE 25-50 PERCENT RANGE" ALLOWED IN THE EC MANDATE. ON AGRICULTURE, THE PAPER IS OPTIMISTIC ON THE CEREALS AGREEMENT AND A DAIRY

ARRANGEMENT. IT ALSO SAYS THE EC WOULD BE PREPARED FOR DISCUSSIONS ON BETTER INTERNATIONAL DISCIPLINES ON SUBSIDIES TO AGRICULTURAL EXPORTS. ON NON-TARIFF BARRIERS, THE PAPER CITES THE EC'S MAIN OBJECTIVE AS TO BRING US LEGISLATION ON COUNTERVAILING DUTIES IN LINE WITH THE GATT. THE PAPER WARNS THAT IT WOULD BE "EXTREMELY IMPRUDENT" TO ALLOW THE MTN TO DRAG ON UNTIL THE END OF THE US TRADE ACT AUTHORITY. THE PAPER INDICATES THAT NO NEW COUNCIL DIRECTIVES ON THE MTN ARE NECESSARY AT THIS TIME.

3. THE ACCOMPANYING PAPER ON TRADE POLICY GAVE BACKGROUND ON THE GATT AND ON PREVIOUS TRADE NEGOTIATIONS. IT EMPHASIZES THAT THE GATT HAS WORKED WELL FOR THE PAST 30 YEARS. IT MENTIONS THAT THERE ARE NOW TWO SETS OF DOUBTS ABOUT CONTINUING A TRADITIONAL LIBERAL TRADE POLICY. ONE INVOLVES FLOATING EXCHANGE RATES WHICH NEGATE THE SIGNIFICANCE OF TARIFF REDUCTIONS. THE SECOND CONCERNS "OUR EFFORTS TOWARD ORGANIZING INTERNATIONAL TRADE IN THE INTERESTS OF EMPLOYMENT RATHER THAN REDUCING TRADE BARRIERS AND THEREBY INCREASING IMPORTS AND UNEMPLOYMENT IN THE COMMUNITY". IN REPLY, THE PAPER SAYS THAT WHILE CURRENCY FLUCTUATIONS CANNOT BE FORESEEN, TARIFFS ARE A PERMANENT BARRIER. MOREOVER, IF REDUCTION IS ABOUT 20 PERCENT OR LESS, THIS WOULD MEAN ONLY A 2 PERCENT REDUCTION IN MOST EC TARIFFS BUT CONSIDERABLY MORE TO SOME US AND JAPANESE TARIFFS WHICH LIMITED OFFICIAL USE

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ARE CONSIDERABLY HIGHER; THIS WOULD OPEN UP SOME USEFUL PROSPECTS FOR EC EXPORTERS. THE PAPER CLOSES WITH TWO QUALIFICATIONS ON A GENERAL FREE TRADE THESIS. "THE FIRST IS THAT WHILE WE SHOULD STILL DEFEND THE CAUSE OF LIBERALISM IN WORLD TRADE IT SHOULD BE AN INTELLIGENT LIBERALISM WHICH RECOGNIZES THAT ECONOMIC CONDITIONS ARE SIGNIFICANTLY MORE DIFFICULT, THAT UNEMPLOYMENT IN MANY INDUSTRIES HAS REACHED DANGEROUS LEVELS, THAT EXISTING GATT INSTRUMENTS SUCH AS THE SAFEGUARD CLAUSE NEED TO BE IMPROVED AND INDEED FROM TIME TO TIME VOLUNTARY EXPORT RESTRAINT ARRANGEMENTS BROUGHT INTO PLAY AND THAT A COMMUNITY INDUSTRIAL STRATEGY NEEDS TO BE DEVELOPED - AND HERE DG I AND DG III NEED TO WORK CLOSELY TOGETHER - TO DEAL WITH THE STRUCTURAL CHANGES WHICH WILL BE NECESSARY IN OUR INDUSTRIES TO MEET THE CHANGING PATTERN OF WORLD TRADE. THE SECOND IS THAT WE NEED BEFORE VERY LONG TO GIVE SOME THOUGHT TO THE SORT OF TRADE NEGOTIATION WHICH WILL FOLLOW THESE MTN'S. THE CURRENT NEGOTIATIONS ARE PROBABLY THE LAST OF THE CLASSIC SET PIECE BATTLES WHICH STARTED IN 1947. FOR THE 1980'S WE SHALL PROBABLY NEED TO BE CONCERNED MUCH LESS WITH TARIFF REDUCTIONS

THAN WITH QUESTIONS SUCH AS THE IMPACT OF MULTILATERAL COMPANIES ON THE WORLD TRADING SCENE, WHETHER IT WOULD NOT MAKE BETTER SENSE TO CONCENTRATE CONCESSIONS FOR THE DEVELOPING COUNTRIES ON THE POORER AMONGST THEM RATHER THAN ON COUNTRIES AS RICH AS BRAZIL AND HONG KONG, AND MORE GENERALLY THE WHOLE QUESTION OF DISPUTE MANAGEMENT IN THE GATT. I SHALL CIRCULATE SOME THOUGHTS ON THESE MATTERS TO MY COLLEAGUES IN DUE COURSE. BUT IN THE MEANTIME OUR FIRST PRIORITY MUST BE TO BRING THE CURRENT MULTILATERAL TRADE NEGOTIATIONS TO A SUCCESSFUL CONCLUSION." HINTON

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